

Message Text

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ORIGIN EA-12

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DRAFTED BY EA/PHL:KWBLEAKLEY:PAW
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FM SECSTATE WASHDC
TO AMEMBASSY MANILA
INFO DOD/ISA

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E.O. 11652: N/A

TAGS: MILI, RP

SUBJECT: DEFENSE RATION CONTROL SYSTEM

REFS: A. MANILA 19001 B. MANILA 19856

1. DEPARTMENT SHARES MANILA'S CONCERN THAT PUBLICATION OF GAO REPORT WITH CRITICAL COMMENTS ABOUT GOP PERFORMANCE ON BLACK MARKET CONTROL COULD BE COUNTERPRODUCTIVE IN VIEW OF RECENT EFFORTS. HOWEVER, GAO HAS POINTED OUT IN A DECEMBER 20 LETTER THAT "LIMITED OFFICIAL USE" DOES NOT FALL WITHIN NATIONAL SECURITY CLASSIFICATIONS SET FORTH IN EXECUTIVE ORDER 11652, MARCH 10, 1972 AND THEREFORE THEY CAN NOT ISSUE REPORTS WITH THE LOU DESIGNATION. THEY PLAN TO ISSUE THE REPORT UNRESTRICTED IF STATE COMMENTS ARE NOT RECEIVED BY JANUARY 3.

2. IT IS NOT CLEAR FROM REF A THAT EMBASSY BELIEVES LIMITED OFFICIAL USE

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PORTIONS OF REPORT CITED REQUIRE CLASSIFICATION OF "CONFIDENTIAL" OR ABOVE. UNLESS EMBASSY BELIEVES CASE CAN BE MADE FOR SUCH CLASSIFICATION ON NATIONAL SECURITY GROUNDS, DEPARTMENT PLANS TO FORWARD TO GAO LETTER WHICH FOLLOWS IN PARAGRAPH 3 FOR INCLUSION IN THE GAO REPORT. WE WOULD HOPE THROUGH THE INCLUSION OF THE DEPARTMENT'S LETTER IN THE REPORT TO LIMIT THE DAMAGE THAT MIGHT BE

DONE TO YOUR EFFORTS BY PUBLICATION OF PORTIONS OF THE
GAO'S FINDINGS.

3. QUOTE THIS IS IN REPLY TO YOUR LETTER OF DECEMBER 20,
1977 REQUESTING THE DEPARTMENT OF STATE TO PROVIDE: (1)
ADVICE ON WHETHER ANY PART OF THE GAO DRAFT REPORT ON
MILITARY RATION CONTROL PROBLEMS IN THE REPUBLIC OF THE
PHILIPPINES SHOULD BE CLASSIFIED; (2) A STATEMENT ON
WHAT ACTIONS THE PHILIPPINE GOVERNMENT HAS TAKEN TO PRE-
VENT BLACKMARKETING SINCE YOUR WORK EARLIER THIS YEAR.

QUOTE WE DO NOT BELIEVE THAT THERE ARE SUFFICIENT NATIONAL
SECURITY REASONS FOR PLACING A NATIONAL SECURITY CLASSI-
FICATION ON THE REPORT. HOWEVER, WE NOTE THAT THE REPORT
MAKES A NUMBER OF CRITICAL COMMENTS ABOUT THE EFFORTS OF
LOCAL AUTHORITIES TO CONTROL THE PROBLEMS OUTLINED. WE
ARE CONCERNED THAT THESE COMMENTS MAY COMPLICATE THE
COOPERATIVE EFFORTS BETWEEN OUR TWO GOVERNMENTS TO RE-
SOLVE THIS COMPLEX SITUATION.

QUOTE BOTH THE U.S. AND PHILIPPINE GOVERNMENTS RECOGNIZE
THE SERIOUSNESS OF THIS PROBLEM. CONTROLLING IT WAS ONE
OF THE PRIMARY OBJECTIVES OF THE JOINT TASK FORCE
ESTABLISHED IN SEPTEMBER 1977 UNDER THE DIRECTION OF
SENIOR OFFICIALS OF THE PHILIPPINE DEPARTMENTS OF FOREIGN
AFFAIRS, DEFENSE AND JUSTICE AND OF THE U.S. CHARGE AS
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WELL AS THE U.S. AIR FORCE AND NAVY COMMANDERS.

QUOTE IN RECENT MONTHS PRESIDENT MARCOS HAS EXPRESSED
PUBLICLY HIS DESIRE TO CONTROL BLACKMARKETING. PHILIP-
PINE OFFICIALS RECENTLY BEGAN MAKING INVENTORIES OF OFF
BASE COMMERCIAL ESTABLISHMENTS DEALING IN BX GOODS. THE
ANNOUNCED OBJECTIVE OF THE PHILIPPINE GOVERNMENT IS TO
PLACE CUSTOMS TAXES ON ALL SUCH GOODS. SUCH ACTION
WOULD SIGNIFICANTLY INCREASE THE PRICE OF OFF BASE BX
GOODS THEREBY REDUCING THEIR MARKETABILITY. AN INDI-
CATION OF THE TOP LEVEL GOP RESOLVE TO PURSUE THIS
MATTER WAS DEMONSTRATED IN A RECENT PRESIDENTIAL ORDER
THAT NO PHILIPPINE MILITARY OR GOVERNMENT PERSONNEL ARE
AUTHORIZED ANY FURTHER USE OF THE BX FACILITIES.

QUOTE WE ARE HOPEFUL THAT THE ABOVE EFFORTS AND CONTINUING
CLOSE COOPERATION BETWEEN OUR TWO GOVERNMENTS WILL LAY
THE FOUNDATION FOR A PROGRAM WHICH WILL BRING THIS LONG-
STANDING PROBLEM UNDER CONTROL AND THAT YOUR FINAL REPORT
WILL WILL REFLECT THIS PROGRESS. END QUOTE

4. WE WOULD APPRECIATE EMBASSY COMMENTS AND MODIFICA-

TIONS TO THE ABOVE SO THAT WE MAY DISPATCH THE REPLY TO
THE GAO WELL IN ADVANCE OF THE JANUARY 3 DEADLINE. VANCE

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